CRMDevelopers.com@Softnetsol

Whitepaper

Project CRM:
Micro versus Macro Analytical Approach to CRM

I d e a s   t o   S o l u t i o n s

The Internet has dramatically changed the way your customers expect to interact with your sales force. But how do you quickly implement a customer relationship management (CRM) solution that will provide sales and customer service assistance without breaking the bank? The way you sell your company's products is undergoing a fundamental change. With the growing significance of the Web, your customers expect you to react at Internet speed, where real-time communication is the norm.

To choose the best CRM product to suit your company's business needs, you will need to know your market well and decide what customer needs are most important for you to solve. Do you want to add an extranet to connect to your channel and distribution partners? Do you want to integrate your front-office applications with back-end services? Do you need a centralized database that pulls together data from all of your e-mail, customer service, call center, field service, and sales transactions? Once you have identified your particular business needs and priorities, you will be ready to identify the CRM solution that is most appropriate for your company.

Users of CRM systems are spending too much time and money on a "micro" view of the customer while ignoring more profitable "macro" analysis. The micro view, perhaps lead by the "1-to-1" philosophy, is fine if you have the skills to really understand and implement it.

But it seems to lead to "over-targeting". This occurs when there is an attempt to subdivide customers into groups so small they are no longer meaningful or practical for the purpose of measuring and increasing customer value. Then there's a backlash to this self-inflicted situation, usually "we're drowning in data" or "we have too much data but not any usable information".

The micro approach skips over more fundamental macro or group analysis, which leads directly to higher ROI marketing. For example, what is the average value of customers generated by banners versus newsletter ads? The value of customers whose first purchase is over US $100 versus customers whose first purchase is under US $100? These are behavioral characteristics known to affect future customer value in very pronounced ways.

For example, in the area of collaborative filtering, or product recommendations based on past purchase history, who has not bought a gift for someone in a product category they held no personal interest in, only to be inundated with product offers related to the gift purchase?

As a retailer, do you want to "sell them anything" or "sell them a specific thing"? By over-targeting people like this, you risk losing a sale by making offers so targeted they have no relevance. It would be much better to recognize the person as someone with certain overall purchase patterns, and sell them "anything they want to buy" - a more macro approach.

To continue the example, a customer who was a heavy cookbook buyer in the past who stopped buying, then for some reason comes back to the site, should not be met with "you bought cookbooks so here's a cookbook offer". Perhaps the reason they haven't been back is they own enough cookbooks, or bought them as a gift for someone!

Recency of purchase is the single most powerful predictor of future purchase; and recency has nothing to do with "what" they bought but "when" they bought it. This customer should be met with "you haven't been here for awhile, so here's $3 off anything you want to buy", not "here's another cookbook offer". A macro kind of offer based on their overall behavior, not a micro offer targeted so finely as to discourage an additional purchase from a "lost customer" who decided to come back one more time.

 In summary, people seem to have "skipped over" a lot of the tried and true methods of customer value measurement and management in favor of the latest "1-to-1" toys. The result is a ton of barely usable data, ineffective and expensive marketing, and a lack of awareness of what really drives customer behavior and how to take advantage of it to increase value.

info@softnetsolutions.com
http://www.softnetsolutions.com

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